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CAREY AND TWO OF HIS RECENT CRITICS, EUGEN V. BÖHM-BAWERK AND ALFRED MARSHALL.

BY HENRY CAREY BAIRD.

(Read before the American Philosophical Society, November 20, 1891.)

Permit me, this evening, to ask your attention to a brief examination of the recent criticisms of Carey by two economists—the one an Austrian, the other an Englishman. Although these two writers treat the economic problem, each from an entirely different standpoint, one is as remote from an appreciation of the truth as the other; and further, neither recognizing what constitutes the great fundamental principle in Carey's system, they have both left his position unassailed, as indeed it is unassailable. The Austrian is Böhm-Bawerk, Honorary Professor of Political Economy at the University of Vienna; the Englishman, Alfred Marshall, Professor of Political Economy at the University of Cambridge.

Prof. Böhm-Bawerk has published two ponderous treatises, the first intended to be destructive of other men's reasonings and theories, and is entitled, "Capital and Interest, a Critical History of Economical Theory;" the second, designed to be constructive of theories of his own, is entitled, "The Positive Theory of Capital"—whatever a "positive theory" may mean, seeing that man's vision, mental as well as ocular, being limited, and thus short of the capacity to take in the whole situation, he can have no absolute or positive knowledge—nothing more than his poor faculties permit of. Mr. Böhm-Bawerk's first book, as translated by Prof. Smart of Glasgow, makes of text, 8vo, 428 pages; the second, as translated, 8vo, 426 pages, while a distinguished professor of political economy, who thinks well of the author's labors, has recently assured me that the marrow of these 854 pages might have been put into forty pages. Such is the thoroughness of this Austrian *savant* that he inflicts upon the student of economics twenty-one times as many words as the ideas he possesses are worthy of in the presentation. As for myself, I can say that I have carefully and critically read the whole of these dreary pages—dreary because of an ever-recurring sense of the unsoundness of the author's premises, as well as of his conclusions.

The net result of Dr. Böhm-Bawerk's "Capital and Interest," wherein he charges Carey, in what he says of interest, of being guilty of "a tissue of incredibly clumsy and wanton mistakes," is that "*Present goods possess*

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a greater value than future goods ;" that a "loan is a real exchange of present goods against future goods ;" and "Present goods possess an agio in future goods. This agio is interest."

Such is the actual product of 428 pages of the most complex, confusing, narrow, hair-splitting, and arrogant criticism, criticism, too, by a man who has himself built up a superstructure which rests upon a fallacy. This fallacy consists in the fact that the writer has included in and treated under "Interest" things that are not interest at all. Interest is the compensation paid for the use of the instrument called money, and its substitute, credit, always expressed in a money of account, *and for them alone*.

This instrument, money, is the great instrument of association—that one thing, the possession of which, with its quality of universal acceptability, in highly organized—civilized—society, commands all other things to which we attach the idea of value. To talk of the rent of a house, a farm, or a garden, the freight or passage paid to a railroad, or a steamship, or a steamboat company, or proprietor, or the portorage in a cart, or a wheelbarrow, as interest, is to add a new and most vicious element of confusion to that despair of thoughtful men, that fruitful parent of misery to mankind, the "Dismal Science." The very word *agio*, which Dr. Böhm-Bawerk would apply to all manner of goods, wares and merchandise, had its origin with reference to a money of account, and to this hour it can be applied to or qualify no manner or form of thing not expressed in a money of account.

Further, Dr. Böhm-Bawerk has jumbled up the profit that a capitalist can make out of his own business ventures over and above the profit imagined to be properly due to his own time and labor, with the interest problem. Thus does he further and hopelessly bemuddle the subject of interest. He calls this profit, which is not interest at all, interest, and which it is impossible to separate from the results of the personal exertions, sagacity, experience, and risks of the capitalist—"natural interest." Where, in nature, will he find interest, where trade, money, credit, houses, ships, railroads, tools, wagons, wheelbarrows, textile fabrics—where, I would ask, without the application of human labor, any single commodity to which we attach the idea of value? Are not civilized society and all its appliances for forwarding trade, commerce, production and consumption, purely the work of man, and hence artificial? Is not this *natural interest* a collocation without meaning? Is not this doctrine of Dr. Böhm-Bawerk's, to use his own words, as applied to Carey, "one of those theories which cast discredit, not only on their authors, but on the science that lets itself be seduced into credulous acceptance of them, not so much that it errs, as for the unpardonably blundering way in which it errs?" For one, not only do I think that it is so, but to me it is a source of wonder and amazement, that the perpetrator of such blundering can criticise others in the severe and arrogant terms in which Dr. Böhm-Bawerk has done.

But what is to be thought of his treatment of Carey? Why, that it is simply infamous, for the reason that the necessary preliminary to refuting

and denouncing him as guilty of a "tissue of incredibly clumsy and wanton mistakes" has been his misrepresentation. In order to refute him, he has been forced to attempt to make it appear that Carey was guilty of the stupidity of treating *distribution*, as Dr. Böhm-Bawerk has done, as *interest*, not *distribution*. What Carey himself calls "the law of distribution," he calls "Carey's interest theory." After quoting what Carey distinctly states regarding *distribution*, and which he calls such, he comments as follows: "On these preliminary facts, then, Carey builds his great law of interest; that, with advancing economical civilization, the rate of profit on capital—that is, the rate of interest—falls, while the absolute quantity of profit rises" (the interjected words, "that is, the rate of interest," being Dr. Böhm-Bawerk's, not Carey's). Carey distinctly and emphatically says: "*Interest is the compensation paid for the use of the instrument called money, and for that alone.*" And again: "When a man negotiates a loan, he obtains money for which he pays interest; when he borrows the use of a house, he pays rent; when he hires a ship he pays freight."

This dictum of Carey's is not merely clear and to the point, but it is in accordance with the common understanding of mankind. To change it as Dr. Böhm-Bawerk has attempted to do, is to bemuddle and confuse the subject. Before he and his translator obtain the right to arraign Carey as "a confused and blundering writer," it is incumbent on them both to show that his definition is wrong, and that Dr. Böhm-Bawerk's definition is correct, and the only correct one. Until they have done so, their denunciations obviously prove their own incapacity properly to criticise a man of Carey's originality, lucidity, power, and far-reaching influence upon mankind.

Of the numerous economists whose doctrines Dr. Böhm-Bawerk has attempted to criticise, none has he denounced in terms so opprobrious as those applied to Carey and his distinguished disciple, E. Peshine Smith, and yet of all these men, the philosophy of none but Carey and Smith is capable of explaining the real cause of interest, or of clearing up the confusion into which Dr. Böhm-Bawerk has become involved regarding value.

Interest owes its existence to precisely the same cause and conditions as does money—the necessity under which man stands for association and combination with his fellow-men. But for this necessity there would be no interest, no money, indeed no political economy. Any system, or pretended system, of political economy which is not grounded on this great principle of association, this overmastering condition of man's nature, is false and misleading, a delusion and a snare—a system of confusion leading not only to further confusion, but to the wreck of the hopes, the rights, the civilization of mankind. The system of Dr. Böhm-Bawerk does not even remotely recognize it; he has not even the faintest glimmer of it, although all political economy is and must be concerned about it. He has dropped out of his system the great fundamental law,

the great dominating fact as to the existence of man in society. His system is therefore of necessity not only useless, but worse than useless.

The second treatise of Dr. Böhm-Bawerk, "The Positive Theory of Capital," gives us, as a net result, the old and exploded wage-fund theory of the economists, with, as an annex and as a result of his interest theory of present goods possessing an *agio* in future goods, the effects of extension of processes of production and the number of producers to be provided for during all these imaginary processes—extended or non-extended, though they be. In fact, he has added to, not decreased, the complication which arose out of the unsound and even absurd wage-fund theory, involving, as it did, a fixed "national subsistence fund."

Attempting to bolster up the theory of saving as a source of capital, Dr. Böhm-Bawerk has no real conception of the actual source of capital. His whole theory is antagonistic to the truth that wealth consists in the power of man to obtain mastery over nature; and that capital is the instrument by means of which that mastery is acquired; and further, that capital accumulates in the exact ratio that consumption follows production, and that matter takes upon itself new and higher forms—what we term consumption and production being mere transformation of substance; in other words, the more continuous and rapid the motion of society, the greater the power to accumulate capital and to acquire wealth.

An entire "book" is devoted to the discussion of "Price," in which even a definition of that vital word is wanting, the evidence being therein presented, in abundance, that the author is quite unaware of the fact that price is the expression of the power of a commodity to command money in exchange, and is always expressed in a money of account.

While two entire volumes are filled with discussion looking towards the effort to establish the cause of interest and of the rate of interest, Dr. Böhm-Bawerk has not even the most crude conception of why it is that people are obliged to borrow money or credit, or goods, or rent houses, or factories, or why one man buys and another man sells labor power. If he had recognized association with his fellow-men as the most dominating necessity of man's nature, and that money, with its qualities of universal acceptability, and of almost perfect divisibility and aggregation, was the necessary instrument of association, he would not have inflicted upon mankind such a tissue of learned fallacy in reference to "present goods" and "future goods," labor wages and the wage-fund theory. Above and beyond all, he would not have made those fundamental errors as to interest, which is paid only for the use of money or credit expressed in a money of account, but which he has jumbled up with the hire of all sorts and kinds of goods, wares and merchandise. He does not even know why "present goods" possess what he calls an *agio* in "future goods," *i. e.*, because of the necessity under which man stands for association and combination with his fellow-men.

MARSHALL.

Under the title of "Principles of Economics," Prof. Marshall, of the University of Cambridge, has published the first volume, 754 pages, of a treatise in which no great broad principle is presented, in which no end of petty details are given, and in which not a single clear and valuable analysis of economic phenomena is to be found; and in which an entire absence of the true capacity for analysis is shown. The profundity of Prof. Marshall may be judged from the fact that he says: "It makes indeed little real difference to the life of a family whether its yearly income is £1000 or £5000." No one but an economist could enunciate such nonsense, and still retain his position as an authority in a high department of knowledge.

His book, largely accepting the doctrines of Ricardo, is full of apologies for him, and for his inaccuracy of statement. For instance, he says:

"His exposition is as confused as his thought is profound. He uses words in artificial senses which he does not explain, and to which he does not adhere, and he changes from one hypothesis to another without giving notice. If, then, we desire to understand him, we must interpret him generously, more generously than he himself interpreted Adam Smith. When his words are ambiguous, we must give that interpretation which other passages in his writings indicate that he would have wished us to give them."

It is quite proper that a teacher who can talk in this style should have no difficulty in deciding that Carey and others who have refuted Ricardo do not understand him. After myself reading "Ricardo" more than thirty years ago, I told Mr. Carey that I could not understand what he was driving at. His reply was, "Ricardo did not himself understand." Nor do I think he did. Confusion in language involves confusion not merely in argument, but in thought; and in no other department of knowledge but that of political economy, would it be possible for one who needs such apologies, as those made for Ricardo by Prof. Marshall, to become the founder of a distinct school.

The blunders which Mr. Marshall has made with reference to Carey and Frederick List, and especially as to the indebtedness of the former to the latter, are most remarkable.

For instance, he says Carey was born in Ireland, when, had he taken the least trouble to examine any biographical notice of him, he would, at a glance, have seen that he was born in Philadelphia. Then he asserts that List's "Outlines of a New System of Political Economy," a tract published in Philadelphia, 1827, and its wide circulation were "the beginning of his fame, as it was of the systematic advocacy of protectionist doctrines in America," whereas this movement was commenced in 1819, and Mathew Carey was one of the originators of it; and three years before the appearance of List's tract, or in 1824, the first really protective tariff enacted in the United States was passed.

Then he says that this publication of List's was made ten years before the publication of Carey's first important work, his "Principles of Political Economy," and adds, "Carey owes many of his best thoughts on protection to List."

Now, Carey's attention to economic subjects commenced in 1835, when he published his "first important work," the "Essay on the Rate of Wages," and there is not a particle of evidence that he ever read the insignificant little tract of Frederick List. If he ever did he wholly failed to profit by it, as in all of his earlier books and papers he advocated the doctrine of *laissez nous faire*, never having publicly declared his adhesion to protection until the publication of "The Past, the Present, and the Future" (1848). Nevertheless, in each of his early books will be found the germs of those vital and far-reaching principles which he so grandly developed in his "Principles of Social Science," his progress from 1835 to 1860, and even to 1875, having been steadily onward. By the beneficent practical working of the tariff of 1842, he was, in 1844, induced by the logic of events to range himself on the side of protection as a necessary national policy. But it was not until 1847 that he was able to reconcile it to economic theory.

In 1847, when he had outlined his law of the occupation of the earth, which has completely overthrown the basis upon which rested Ricardo's theory of rent, he readily emerged from the last vestiges of a belief in so absurd a theory applied to an artificial society as *laissez nous faire*. Lying in bed one morning, picturing to himself the settlers on the sides of the hills, moving down into the valleys and approaching each other, as wealth, power and civilization grew, he realized the vital importance of bringing the consumer to the side of the producer, and, as he said to me, "I jumped out of bed, and, dressing myself, was a protectionist from that hour."

The fact is Carey, not having studied German until 1856, List's "National System of Political Economy," published in Germany in 1841, was to him a sealed book until 1851, when a French translation by Richelot appeared in Paris. Carey's copy of this book in the Library of the University of Pennsylvania, with his pencil marks in it, showing passages which he considered striking, clearly proves that he made but little use of it.

But the question of Carey's position as a social philosopher is not to be determined by whether or not he picked out from some other investigator one idea here or another there, but by his philosophy as a whole. His great merit does not consist in the fact that he has demonstrated that association and combination with his fellow-men is the greatest need of man, or that in the utilization of labor power—the most perishable of all commodities—is to be found the measure of the growth of a people in wealth, power and civilization; or that money, the instrument of association, by giving utility to billions of millions of minutes, which without it would be wasted, acts as a great saving fund for labor; or that a necessary condition of advance in civilization is that man passes from the use of poor tools, in-

cluding poor lands, to the use of good tools, including good lands; or that value is the measure of the power of nature over man, and is to be found in the cost of reproduction, while utility is the measure of man's power over nature; or that, with the development of this last-named power, distribution takes place under a law by virtue of which to labor goes a large proportion of a larger yield—freedom thus growing with the growth of wealth and civilization.

It is not by reason of the clear demonstration of any one of these great truths, or of all of them, but of their demonstration *plus* the interlocking and the interweaving of these vital truths into one great and harmonious whole. Thus and thus only is it that he has presented a system of social philosophy deeper and broader than that of any other economist from the days of Plato and Aristotle down to our own time. By this touch-stone—fundamental truths with their relations to each other, worked out into a complete system—is it that Carey is to be judged, and judged rightly and justly, and not by mere verbal criticism, or by an attempt to prove that an idea here or another one there was previously promulgated by some other teacher.

A great admirer of Frederick List, for what he had done in building up the German Empire—a work without which Bismarck, Von Moltke, and William I would never have been heard of in history—Carey had but a poor opinion of List's "National System of Political Economy," for the very good reason that it lacked just what he had aimed to present in his own books, and what are absent in Prof. Marshall's volume, broad, deep and enduring fundamental principles, interlocked and interwoven into one grand and harmonious whole, like Carey's own great and noble "Principles of Social Science." Indeed, no such voluminous writer on social subjects as Carey has ever lived and written who has paid so little heed to the writings of other economists. His own economic and statistical library, now in the Library of the University of Pennsylvania, will bear me out in this statement. Colwell collected the writings of political economists; Carey collected those of travelers, historians, statisticians and scientists; and to these he went for the material out of which to demonstrate those great principles which will ever bear his honored name.

How far Carey has been successful in impressing his philosophy upon the people of the United States, and upon the national policy, is well depicted by a recent and far from friendly critic as follows: "Measured by results," says Prof. Levermore, "the Carey school, and not its opponent, has achieved success in the United States. For thirty years, the stone which the builders rejected has been the head of the corner. Carey and his friends never captured our colleges; but, for a generation, they had dominated five-sevenths of the newspaper offices, a pulpit far more influential than the professorial chair. The arguments to which Carey gave form and eloquence are in the mouths of more than half the business men and farmers of our country; and, in the last Presidential campaign, the Republican party reaffirmed the extremest principles of the Carey

school, including even the rancor towards England, with a violence and absoluteness that would probably have surprised Carey himself" ("Political Science Quarterly," Dec., 1890, pp. 572, 573).

The reason for this is not far to seek. Carey dealt in broad and enduring principles so interlocked and intertwined that any man of ordinary intellect, once captured by them, might ever after during his life bid adieu to the hope of freedom from their intellectual domination.

Nihil est veritatis luce dulcius. Indeed, nothing is sweeter, nothing more delightful, than the light of truth ; and Carey has given to mankind a great body of truth, instinct with life and being, an organic whole demonstrating those principles which govern the well-being, the happiness and the civilization of the human race. The destruction of the foundations of this system demand men of greater power than Eugen V. Böhm-Bawerk and Alfred Marshall. They have not even made a lodgment in the outworks. In the citadel all is calm and serene, without apprehension of successful attack by such incompetent leaders—leaders who lack at once a knowledge of even the elementary principles of economic truth, and the power to group and place in proper relation to each other those things which they do teach, if, indeed, their theories have any connected relations one to another. If they have such relations, these gentlemen have failed to show them.





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